

MULTIMEDIA



UNIVERSITY

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

BAC 1624 – MANAGEMENT ACCOUNTING 1 (All Section / Groups)

3rd JUNE 2016
3.00 P.M. – 6.00 P.M.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 6 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions. Each question is worth 20 marks.
3. Please write your answers and workings in the Answer Booklet provided.

QUESTION 1

Pop Chewing Gum Company Sdn. Bhd. produces bubble gum, using FIFO costing method. Direct materials are blended at the beginning of the manufacturing process. No materials are lost in the process, so one kilogram of materials input produces one kilogram of bubble gum. Direct labor and overhead costs are incurred uniformly throughout the blending process.

On June 30th, 16,000 units were in process. All direct materials had been added, but the units were only 70 percent complete in regards to conversion costs. Direct materials cost of RM8,100 and conversion costs of RM11,800 were attached to the beginning inventory.

During July, 405,000 kilograms of materials were used at a cost of RM202,500. Direct labor charges were RM299,200 and overhead costs applied during July were RM284,000.

The ending work in process inventory was 21,600 kilograms. All direct materials have been added to those units, and 25 percent of the conversion costs have been assigned. Output from the Blending Department is transferred to the Packaging Department.

Required:

- i. Prepare a schedule showing physical units of production.
(3 marks)
- ii. Determine the equivalent units of production for materials and conversion cost.
(8 marks)
- iii. Determine the cost per equivalent units for materials and conversion cost and the total unit manufacturing cost.
(Please round-up to two decimal places)
(3 marks)
- iv. Determine the cost of ending work in process inventory
(2 marks)
- v. Determine the amount that should be transferred out of the work in process inventory account and state where those amount should be transferred.
(4 marks)
(20 marks)

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QUESTION 2

Cynergy Sdn.Bhd.'s accountant prepared the following budgeted income statement for the coming year:

	RM
Sales	315,000
Less: Variable Expenses	<u>(126,000)</u>
Contribution Margin	189,000
Less: Fixed Expenses	<u>(63,000)</u>
Profit before taxes	126,000
Less: Taxes	<u>(37,800)</u>
Profit after tax	<u>88,200</u>

Required

- i. Compute the variable cost ratio and contribution margin ratio (2 marks)
- ii. Suppose that Cynergy's actual revenues are RM46,000 more than the budgeted. Compute how much will the profit before-tax increase. (Give the answer without preparing a new income statement. (2 marks))
- iii. Compute the breakeven sales in Ringgit Malaysia and the expected margin of safety ratio. (4 marks)
- iv. Compute the sales revenue that Cynergy must generate in order to earn a profit before-tax of RM90,000. (3 marks)
- v. Assume that sales revenue increases by 10%, prepare a variable costing income statement for Cynergy Sdn.Bhd. (Tax rate is 30%). (4 marks)
- vi. List out five (5) basic components of CVP (5 marks)
(20 marks)

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QUESTION 3

Milan Machining Company Sdn. Bhd. has identified the following overhead activities, costs, and activity drivers for the coming year:

Activity	Expected Cost (RM)	Activity Driver	Activity Capacity
Set-up	60,000	Number of setups	300
Inspecting	20,000	Inspection Hours	2,000
Grinding	90,000	Machine Hours	18,000
Receiving	?	Number of parts	60,000

The company produces two different machine subassemblies used by other manufacturers. Expected annual data for the two subassemblies as follows:-

	Subassembly A	Subassembly B
Direct materials	RM340,000	RM380,000
Direct labor	RM240,000	RM240,000
Units completed	40,000	50,000
Number of setups	150	150
Inspection hours	1,500	500
Machine hours	7,200	10,800
Parts used	20,000	40,000

Upon investigations, you discover that the Receiving Department employs one worker who spends 40 percent of his time on the receiving activity and 25 percent of his time on inspecting products. His salary is RM50,000. Receiving also uses a forklift, at a cost of RM10,000 per year for depreciation and fuel. The forklift is used only for receiving.

Required

- i. Compute the cost of the receiving activity.
(2 marks)
- ii. Compute the product cost per unit for Subassembly A and B using traditional costing method, based on the assumption that overhead are absorbed based on machine hours for both Subassemblies.
(4 marks)
- iii. Compute the product cost per unit for Subassembly A and B using ABC costing method. *(Please round-up your answers to 2 decimal places)*
(9 marks)

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iv. Comment your answers in (ii) and (iii) above.

(5 marks)

QUESTION 4

(20 marks)

Part A

Kendall & Kylie Company Sdn. Bhd. has found from experience that 30 percent of its services are for cash. The remaining 70 percent are on credit. An ageing schedule receivable reveals the following pattern.

1. Ten percent of fees on credit are paid in the month service is rendered.
2. Seventy percent of fees on credit are paid in the month following the legal service.
3. Seventeen percent of fees on credit are paid in the second month following the legal service.
4. Three percent of fees on credit never collected.

Fees (on credit) that have not been paid until the second month following performance of the legal service are considered overdue and are subject to a 2 percent late charge. Kendall & Kylie has developed the following forecast of fees:-

May	RM228,000
June	RM255,000
July	RM204,000
August	RM240,000
September	RM300,000

Required

Prepare a schedule of cash receipts for the month of August and September.

(8 marks)

Part B

North West Company Sdn. Bhd. estimates that 300,000 direct labor hours will be worked during the coming year; 2017 in the Packaging Department. On the basis, the budgeted manufacturing overhead cost data are computed for the year:

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<u>Fixed Overhead Costs</u>		<u>Variable Overhead Costs</u>	
Supervision	RM96,000	Indirect labor	RM126,000
Depreciation	72,000	Indirect Materials	90,000
Insurance	30,000	Repairs	69,000
Rent	24,000	Utilities	72,000
Property Taxes	<u>18,000</u>	Lubricants	<u>18,000</u>
	<u>RM240,000</u>		<u>RM375,000</u>

It is estimated that direct labor hours worked each month will range from 27,000 to 36,000 hours. During October, 27,000 direct labor hours were worked and the following overhead costs were incurred:

Fixed Overhead Costs: supervision RM8,000; depreciation RM6,000; insurance RM2,460; rent RM2,000 and property taxes RM1,500.

Variable overhead costs: Indirect labor RM12,432; indirect materials RM7,680; repairs RM6,100; utilities RM6,840 and lubricants RM1,920.

Required

Prepare flexible budget report for the month of October.

(12 marks)

(20 marks)

QUESTION 5

The maternity department of the city hospital has two types of patients: Normal and Cesarean. The standard quantities of labor and materials per patient for 2016 are:

	<u>Normal</u>	<u>Cesarean</u>
Direct Materials (lb.)	8	20
Nursing Labor (hours)	2	4

The standard price paid per pound of direct materials is RM10 (Direct materials for this case refers to linens). The standard rate for labor is RM16. Overhead is applied on the basis of direct labor hours. Departmental overhead rates are used in the hospital. Budgeted overhead for the maternity department for the year as follows:-

Budgeted fixed overhead	RM720,000
Budgeted variable overhead	RM960,000

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The maternity department expects to use 24,000 nursing hours in 2016; standard overhead rates are computed using this activity level. Actual operating data for 2016 are:-

- a. Patient days produced: normal, 3500; Cesarean 7,000
- b. Direct materials purchased and used : 172,000 pounds at RM9.50 - 30,000 for normal maternity patients and 142,000 for Cesarean patients; no beginning or ending raw materials inventories.
- c. Nursing labor: 36,500 hours – 7,200 hours for normal patients and 29,300 hours for the cesarean patients; total cost of labor RM580,350.
- d. Variable overhead : RM1,215,000
- e. Fixed overhead : RM700,000

Required

- i. Compute the standard cost per unit per patient for each type of patient. (4 marks)
- ii. Compute the material price and quantity variance for each type of patient. (8 marks)
- iii. Compute the labor price and quantity variance for each type of patient. (8 marks)

(20 marks)

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